

## Message Text

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ACTION SS-25

INFO OCT-01 SSO-00 ADP-00 /026 W  
----- 020589

P 261130 Z MAR 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 9199

S E C R E T SECTION 1 OF 2 SAIGON 4961

E X D I S

AIDAC

LIMIT DISTRIBUTION

E. O. 11652: GDS

SUBJECT: GVN PLANS FOR ECONOMIC ASSISTANCE

REF: SAIGON 4900

1. REFTEL ADVISED THAT FORTHCOMING GVN MISSION TO SAN CLEMENTE AND WASHINGTON WILL PRESENT COMPREHENSIVE PROGRAM COVERING BOTH NEAR- TERM NEEDS FOR RECONSTRUCTION AND REFUGEE RELIEF, AND LONGER- TERM DEVELOPMENT PLANS AND REQUIREMENTS. REQUIREMENT FOR EXTERNAL BALANCE OF PAYMENTS SUPPORT IN CY 73 IS PUT AT \$720 MILLION. THIS MESSAGE CONVEYS DETAILS OF GVN SUBMISSION IN AREAS OF EXTERNAL FINANCING REQUIREMENT, BALANCE OF PAYMENTS, IMPORT COMPOSITION AND GVN EXPENDITURES, AND MISSION PROJECTION OF MONETARY GAP CONSEQUENCES.

2. FINANCING REQUIREMENT - CY 73 REQUIREMENT IS PUT AT \$720 MILLION TO FUND \$870 MILLION IMPORTS, AS FOLLOWS:

FINANCING REQUIREMENT, CY 73  
(\$ MILLIONS)

|                                |     |
|--------------------------------|-----|
| CIP ( LICENSING)               | 400 |
| PL 480 ( PAYMENTS - LICENSING) | 170 |
| GVN ( PAYMENTS - LICENSING)    | 265 |
| AID FREIGHT                    | 35  |

TOTAL REQUIRED 870

LESS: AVAILABLE FROM PIASTER PURCHASES AND  
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|                 |     |
|-----------------|-----|
| EXPORTS         | 150 |
| NET REQUIREMENT | 720 |

3. BALANCE OF PAYMENTS - ASSUMING \$570 MILLION OF CIP AND PL 480  
 AVAILABILITIES, GVN PROJECTS CY 73 BALANCE OF PAYMENTS AS FOLLOWS:

(\$ MILLIONS)

|  |      |     |
|--|------|-----|
| EXPORTS                                | 40   |     |
| PIEASTER PURCHASES                     |      | 110 |
| NET INVISIBLES                         | -0-  |     |
| ADDITIONAL BALANCE OF PAYMENTS SUPPORT |      | 150 |
| GVN IMPORTS                            | -265 |     |
| AID FREIGHT                            | - 35 |     |
| RESERVE CHANGE                         | -0-  |     |

4. COMPOSITION OF IMPORTS - AS SUGGESTED BY INCREASED PROPORTION  
 OF CIP LICENSING WITHIN TOTAL IMPORTS, THERE WOULD BE A SIGNIFICANT  
 SHIFT AWAY FROM CONSUMER GOODS TO INVESTMENT GOODS AND RAW  
 MATERIALS.  
 HOWEVER, BECAUSE OF THE LONG LEAD TIME ON NON- BULK CIP COMMODITIES,  
 AND FACT THAT CY 73 IMPORTS WILL REFLECT ABNORMALLY LOW LICENSING  
 LEVELS OF SECOND HALF CY 72, THE \$400 MILLION CIP LICENSING WOULD  
 TRANSLATE TO ONLY \$295 MILLION OF CY 73 PAYMENTS. THERE FOLLOWS  
 MISSION ESTIMATES OF LICENSING/ PAYMENTS BREAKDOWN BY CATEGORY OF  
 FINANCING, WHICH IS CONSISTENT WITH DETAILED COMMODITY BREAKDOWN  
 PROVIDED US BY GVN:

IMPORT PAYMENTS  
 (\$ MILLIONS)

JAN- JUNE JULY- DEC YEAR

## A. LICENSING

|             |     |     |     |
|-------------|-----|-----|-----|
| CIP         | 200 | 200 | 400 |
| PL 480      | 90  | 80  | 170 |
| GVN         | 124 | 141 | 265 |
| AID FREIGHT | 18  | 17  | 35  |
| TOTAL       | 432 | 438 | 870 |

## B. PAYMENTS

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|             |     |     |     |
|-------------|-----|-----|-----|
| CIP         | 129 | 166 | 295 |
| PL 480      | 75  | 95  | 170 |
| GVN         | 130 | 135 | 265 |
| AID FREIGHT | 17  | 18  | 35  |
| TOTAL       | 351 | 414 | 765 |

5. REAL IMPORTS - AFTER DEDUCTION OF RICE AND AID FRIEGHT, THE PROPOSED CY 73 IMPORT LEVEL, IN TERMS OF CURRENT VALUE, WOULD BE VERY CLOSE TO THAT OF RECENT YEAC (\$635 MILLION VS. AN AVERAGE \$617 MILLION, 1970-72). IN REAL TERMS, I. E., DEFLATED FOR DOLLAR COST INCREASES OF RECENT YEARS, IMPORT PAYMENTS WOULD BE FAR BELOW AVERAGE OF RECENT YEARS AND EVEN BELOW DEPRESSED 1972 LEVEL, AS CAN BE SEEN IN FOLLOWING SUMMARY:

IMPORT PAYMENTS  
( \$ MILLIONS)

|                | 1970 | 1971 | 1972 | 1973( PROJ.) |
|----------------|------|------|------|--------------|
| A. TOTAL       | 692  | 714  | 678  | 765          |
| B. LESS: RICE  | -95  | -10  | -47  | -95          |
| C. AID FREIGHT | -30  | -2   |      |              |
| E E E E E E E  |      |      |      |              |

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ACTION SS-25

INFO OCT-01 SSO-00 ADP-00 /026 W  
----- 020717

P 261130 Z MAR 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 9200

S E C R E T SECTION 2 OF 2 SAIGON 4961  
E X D I S

6. MONETARY IMPACT- FOLLOWING IS MISSION FORECAST OF CY 73 MON-ETARY GAP, BASED ON \$765 MILLION LEVEL OF IMPORT PAYMENTS, GVN PROJECTIONS OF SPENDING, CREDIT AND SAVINGS, AMD MISSION ESTIMATE OF REVENUES:

MONETARY GAP  
( VN\$ BILLIONS)

|                             |     |
|-----------------------------|-----|
| A. EXPANSIONARY             |     |
| GVN EXPENDITURES            | 490 |
| US SECTOR EXPENDITURES, NET | 61  |

## OF PIASTER SOURCES

|                   |     |    |
|-------------------|-----|----|
| EXPORTS           | 24  |    |
| INVISIBLE EXPORTS |     | 27 |
| CREDIT            | 75  |    |
| TOTAL             | 677 |    |

## B. CONTRACTIONARY

|   |       |    |
|---|-------|----|
| IMPORTS   | 315   |    |
| ADVANCE DEPOSITS  |       | 20 |
| GVN REVENUES  | 190   |    |
| ( DOMESTIC)   | (160) |    |
| ( IMPORT)   | (30)  |    |
| AID FREIGHT   | 16    |    |
| INVISIBLE EXPENDITURES                                    |       | 31 |
| SAVINGS & TIME DEPOSITS,                                  |       | 80 |
| TREASURY BILL SALES TO THE<br>PUBLIC, BANK CAPITALIZATION |       |    |
| TOTAL   | 652   |    |

## C. GAP

|                               |    |            |
|-------------------------------|----|------------|
| VN\$                          | 25 |            |
| PER CENT INC. IN MONEY SUPPLY |    | 11 PERCENT |
| SECRET                        |    |            |

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7. PROJECTION OF IMPORT ABSORPTION, PARA 7, IS BASED ON CURRENT EXCHANGE RATES, WHICH IS IN TURN CONSISTENT WITH AN ASSUMED 10 PERCENT

DEVALUATION OF THE OFFICIAL RATE DURING COURSE OF THE YEAR. THE MONE-  
TARY GAP MAY BE UNDERSTATED TO THE EXTENT THE REQUESTED ADDI-  
TIONAL FUNDING SHOULD INVOLVE PIASTER PURCHASES ( I. E., INCREASED  
DOD PROGRAMS FOR MILCON, LOCAL PROCUREMENT, ETC.). THIS EFFECT  
WOULD BE LESSENERED, HOWEVER, IF BECAUSE OF RESOURCE LIMITATIONS  
SUCH PROGRAMS WERE TO DISPLACE INTENDED GVN EXPENDITURES ON  
RECONSTRUCTION/ DEVELOPMENT AND/ OR PRIVATE SECTOR DEVELOPMENT  
PROGRAMS.

8. GVN EXPENDITURES- GVN EXPENDITURE ESTIMATE INCLUDED PARA 7  
ALLOWS FOR VN\$55 BILLION OF EXPENDITURES IN AREAS OF REFUGEE RELIEF  
AND RECONSTRUCTION, AS WELL AS VN\$15 BILLION FOR A PUBLIC SECTOR  
WAGE INCREASE, NOT PROVIDED FOR IN APPROVED CY 73 BUDGET. SAVINGS  
OF VN\$15 BILLION ARE TO COME FROM CUTS IN THE PRESENT BUDGET, FOR  
A NET ADDITION OF VN\$55 BILLION. BREAKDOWN FOLLOWS:

GVN EXPENDITURES  
( VN\$ BILLIONS)

## A. APPROVED BUDGET

|                                      |     |  |
|--------------------------------------|-----|--|
| MOND                                 | 231 |  |
| GENERAL GOVERNMENT                   | 175 |  |
| RELIEF & RESETTLEMENT OF WAR VICTIMS | 12  |  |
| REHABILITATION/ RECONSTRUCTION       | 17  |  |
| ( PUBLIC WORKS)                      | (7) |  |
| ( RECONSTRUCTION)                    | (2) |  |
| ( LOCAL DEVELOPMENT)                 | (5) |  |
| ( AGRICULTURE)                       | (3) |  |
| TOTAL BUDGET                         | 435 |  |

## B. RECOMMENDED ADDITIONAL

|                               |    |
|-------------------------------|----|
| REFUGEE RELIEF & RESETTLEMENT | 25 |
| RECONSTRUCTION & RECOVERY     | 30 |
| WAGE INCREASE                 | 15 |
| TOTAL ADDITIONAL              | 70 |

C. LESS: SAVINGS IN GENERAL ADMINISTRATIVE  
AND DEFENSE EXPENDITURES-15  
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## D. TOTAL EXPENDITURES 490

9. CY 74- A TENTATIVE PROJECTION OF CY 74 IMPORT PAYMENTS,  
ASSUMING GVN IMPORT AND CIP LICENSING LEVELS AT THE SECOND HALF  
CY 73 RATE, IS AS FOLLOWS:

| IMPORT PAYMENTS, CY 74 |     |
|------------------------|-----|
| (\$ MILLION)           |     |
| CIP                    | 400 |
| GVN                    | 270 |
| PL 480                 | 120 |
| AID FREIGHT            | 25  |
| TOTAL                  | 815 |

10. WITH ALLOWANCE FOR PAYMENTS ON RICE AND AID FREIGHT, AND  
AFTER ADJUSTING TO 1 970 DOLLAR PRICES, IT IS HIGHLY UNLIKELY THAT  
THE \$ 815 MILLION IMPORT LEVEL TENTATIVELY PROJECTED FOR CY 74  
WOULD EXCEED THE 1970-72 AVERAGE, SIMILARLY ADJUSTED.  
BUNKER

NOTE BY OC/ T: EXDIS CAPTION ADDED PER MR. VIETS, S/ SO.

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\*\*\* Current Handling Restrictions \*\*\* EXDIS

\*\*\* Current Classification \*\*\* SECRET

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